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# CENTRAL BANK OF BELIZE

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Sixth Annual Report and Accounts 1987

**DRAFT**





Economic Review

# CENTRAL BANK OF BELIZE

## Sixth Annual Report and Accounts 1987

International Economic Developments.....	5
Overview.....	11
Production & Exports.....	17
Money, Credit and Prices.....	23
Fiscal Operation.....	41
Public Sector External Debt.....	51
Balance of Payments.....	58
OPERATIONS	
Foreign Exchange Operations.....	61
Currency and Bank Clearings.....	64
Transactions with Central Government.....	68
Exchange Control.....	72
Banking Supervision.....	75
Administration.....	78
ACCOUNTS	



C O N T E N T S

Economic Review

International Economic Developments.....	5
Overview.....	12
Production & Exports.....	17
Money, Credit and Prices.....	32
Fiscal Operation.....	42
Public Sector External Debt.....	51
Balance of Payments.....	58

OPERATIONS

Foreign Exchange Operations.....	61
Currency and Bank Clearings.....	64

Abbreviations:

Transactions with Central Government.....	68
Exchange Control.....	72
Banking Supervision.....	76
Administration.....	79

ACCOUNTS

\* refers to Swiss dollar unless otherwise stated.

From May 1976 the Swiss dollar has been fixed to the US dollar at the rate of Sfr 2.20 = \$1.00

Central Government's fiscal year: 1 April to 31 March.



## INTERNATIONAL ECONOMIC DEVELOPMENTS

The global economy experienced rather sluggish growth during 1987 following a slowdown of growth in industrial countries and worsening external conditions in developing countries. Japan's higher growth rate offset a rapid economic decline in western Europe, and a general recovery in the rest of the world. The turbulence in international markets during the latter part of the year led to a decline in the growth rate of developing countries. Economic activity in the major developed countries turned out to be stronger than anticipated. GNP in the seven

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**Abbreviations:**


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CBB	Central Bank of Barbados
CDC	Commonwealth Development Corporation
CIDA	Canadian International Development Agency
EEC	European Economic Community
EIB	European Investment Bank
IBRD	International Bank for Reconstruction and Development (also known as the World Bank)
IMF	International Monetary Fund
lb	pound (avoirdupois)
T & T	Trinidad and Tobago
TT	Trinidad and Tobago
UK	United Kingdom
US	United States of America
USA	United States of America
USAID	United States Agency for International Development

\$ refers to Belize dollar unless otherwise stated.

Since May 1976 the Belize dollar has been tied to the US dollar at the rate of US\$1.00 = BZ\$2.00

Central Government's fiscal year: 1 April to 31 March.

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## ECONOMIC REVIEW

### INTERNATIONAL ECONOMIC DEVELOPMENTS

The global economy experienced rather sluggish growth during 1987 following a slowdown of growth in industrial countries and worsening external situations in developing countries. Among the developed economies, Japan's higher growth was offset by deceleration in the US and in Western Europe. Developing countries experienced a sharp slowdown in economic growth with the oil exporters witnessing negative real growth. The turbulence in the financial markets during the latter part of the year served to heighten concerns over the global trade imbalances, and the growing debt burden of developing countries.

Economic activity in the major developed countries turned out to be stronger than anticipated. GNP in the seven largest countries grew by 3.0 percent in 1987 with their combined unemployment rate falling to 7.0 percent as against 7.4 percent in 1986. The US economy grew by 2.9 percent as in 1986. Growth benefited as exports grew at a faster pace than imports narrowing the trade deficit. West Germany's real GNP grew at a rate of 1.7 percent following a 2.5 percent in 1986. Such growth was too weak to correct the country's foreign trade imbalance. The UK's economy remained buoyant for the better part of the year with



real GNP growing by almost 5 percent, the fastest growth since 1973, and doubled the rate seen in Europe's other big economies. For Latin America's debt-ridden economies there was a worsening of the already acute economic crisis during 1987. Indications are that the region's GDP increased by 2.6 percent, 1 percentage point lower than the average recorded in the preceding three years. The aggregate GDP for oil-exporting countries of the region grew by 1.4 percent as compared with a 1.2 percent contraction in 1986. For the non-oil exporting countries GDP grew by 3.3 percent as against 6.8 percent in 1986. As a consequence the region's per capita product rose by a mere 0.5 percent compared with 1.4 percent in 1986. The Caribbean economies achieved an average growth rate of 3.8 percent in 1987 with tourism, agriculture, and construction providing the stimulus for growth.

Inflation in the developed countries moderated during 1987 with the stock market crash reducing the fear of inflationary pressures in some economies like the US, Japan and the UK. The approximately 3 percent increase in the inflation rate in the developed economies was due almost entirely to increases in energy prices.

Latin America's loss of economic dynamism was accompanied by widespread resurgence of inflationary pressures.



The pace of inflation for the region surged to 190 percent in 1987 compared with 65 percent in 1986, and 275 percent in 1985. Inflation was particularly intense in Nicaragua (122 percent), Brazil (340 percent), and Argentina (180 percent), Mexico's inflation worsened for the fourth year to 146 percent. The deterioration was attributed to the effects of currency depreciation and higher administered prices.

Oil prices recovered from the 1986 levels with the swing in prices representing a 8.2 percent increase after declining 19.7 percent in 1986. Most of this increase came during the first half of the year as prices became volatile in the latter part of the year with widespread discounting. The reductions were due mainly to the lack of conviction over OPEC's weak price and production agreement, and the prospect of a decline in demand growth in the OECD countries.

The dollar prices of non-oil commodity prices were 8.6 percent higher in 1987 than in 1986, measured on an annualized basis. Much of this increase reflected higher prices for metal and agricultural raw materials, and the depreciation of the US dollar. The prices of agricultural raw materials averaged 33.5 percent more than the 1986 level due to strong demand and sizeable reduction in supply in some countries. Despite the increases in dollar prices, commodity prices deflated by the



dollar unit value of manufactured exports, fell by 3.8 percent during 1987. For the developed countries, the dollar price of commodities exported increased by 13.4 percent over the 1986 level contrasting with the 3.3 percent gain in the dollar price of commodities exported by developing countries. World sugar prices rose steadily to almost US\$0.10 per pound in 1987, due to production shortfalls in a number of the major importing countries. Coffee prices also increased, the result of a reintroduction of global export quota under the International Coffee Agreement.

The recovery in the international price of oil, the upturn in mineral prices, and other basic commodities, and rapid growth in the export of manufactures in some countries contributed to a slight improvement in developing countries' terms of trade during 1987. The improvements were mainly concentrated in the oil exporting countries which benefited from increased oil prices. The Latin American region experienced approximately 2.4 percent improvement in the terms of trade due to a 13.0 percent increase in exports based on a 7.0 percent increase in unit value and a 5.0 percent rise in volume, as against a 10.0 percent increase in imports with a 4.0 percent increase in the value and a 5.5 percent rise in volume.



The foreign exchange markets were rather volatile during 1987 with the US dollar falling sharply against the major currencies especially the yen and the Deutsche Mark. The Louvre Accord in February 1987 was an attempt by the major industrial countries to limit fluctuations in exchange markets. Following the Louvre Accord, heavy intervention and coordinated economic policies led to an arrest of the steep real depreciation of the dollar. However, despite concerted efforts by Central Banks, exchange rate movements became very pronounced during the last two months of 1987.

By year end the dollar had slumped to its lowest level against the yen and the Deutsche Mark since the reorganization of the international monetary system after World War II. The dollar's trade-weighted depreciation was 16.1 percent in 1987 as compared with 13.5 percent in 1986. Compared with the level in February, the dollar fell over 13 percent against the yen and about 10 percent against the Deutsche Mark, in real effective terms. The weakness of the dollar and fear of recession led in December to a statement by the G-7 countries re-affirming the undesirability of a continually falling dollar. The sterling maintained strength and stability throughout 1987 gaining particularly against the Deutsche Mark. The Mexican peso continued its downward slide with the free market peso being devalued by up to 45 percent against the US dollar in November.



This was followed in December by a devaluation of the controller peso by 22 percent as a part of the measures taken to boost the economy.

Developing countries' debts increased by 6.3 percent to US\$1.19 trillion by the end of 1987 from US\$ 1.12 trillion in 1986. Though still at critical levels, the debt servicing indicators improved in 1987 the result of a slow growth of debt lower international interest rates from mid-1986 to mid-1987, and the recovery in the exports of a number of the debtor countries.

Considerable uncertainty continues to prevail with regard to short-term prospects for the world economy. For 1988, world economic output is projected to be near 3.0 percent but below the levels of the previous two years. Developed countries are projected to expand at a moderate 2.5 to 2.75 percent in 1988/89. Growth in international trade is likely to be weak making it more difficult for adjustments of the global imbalances. Developing countries' debt problem will persist as a large number of these countries face increasing difficulties in obtaining external financing, and reductions in investment levels along with increased interest rates. Some level of growth among developing countries is projected for 1988 as commodity prices are expected to stabilize after several years of decline,



resulting in improved terms of trade. However, sugar exporting economies face 1988 with a further setback as the US sugar import quota was again reduced - by 42 percent to 750,000 short tons for 1988.



Preliminary estimates indicate that the real gross domestic product (GDP) grew by about 5.0 percent during 1987 as compared with a 2.3 percent rise during 1986, and 3.9 percent for 1985. Growth was most significant in the primary sector which advanced by over 13 percent over 1986. Specifically, forestry and logging grew by 32.3 percent and the output of fish went up by 16.1 percent. Real output in the secondary sector was mainly influenced by a substantial increase in the production of wheat flour and cigarettes, while services from trade, hotels, restaurants and cafes contributed to the growth of 7.5 percent in the tertiary sector.

Trade and tourist-related services accounted for most (14.7 percent) of GDP, followed by agriculture (10.5 percent), and transport and communication (9.6 percent). Output of most sectors on the whole, have been estimated to have registered an increase. These estimates of growth in GDP and its components are, however, highly provisional.

The significant growth in gross domestic product was accompanied by a revival in demand for credit from the private sector. Credit to the private sector which had declined by \$0.6 million during 1986 to a level of \$126.5 million staged a



remarkable revival in 1987 with an increase of \$29.7 million or 23.5 percent over the December 1986 level. The increase in credit was spread over several sectors but was particularly high in the agricultural sector which accounted for 32 percent of the increase of \$27.1 million in total loans and advances of the commercial banks. During 1986, loans and advances to agriculture had in fact declined by \$1.5 million. Construction claimed an increase in credit of \$4.4 million and the Tourism sector \$2.5 million. Credit to Manufacturing has shown a downward trend in recent years and in 1987 there was a further decline of \$2.5 million. This decline followed a \$4.4 million fall in 1986. Loans and advances to the Distribution sector expanded by \$7.0 million but its share in total loans and advances remained at around 35 percent. Apart from reflecting the significant growth in economic activity, a rise in demand for credit was probably also a consequence of the downward adjustment in interest rates effected in mid-December 1986.

Net credit to the public sector declined by \$14.5 million or 24.1 percent during the year bringing the total reduction since December 1985 to \$22.4 million. Consequently, credit to the private sector increased its share in net domestic credit from 65 percent at the end of December 1985 to 67.6 percent at the end of 1986 and further to 77.3 percent at the end of 1987.



Net domestic credit which had declined by \$8.3 million in 1986 made a significant recovery in 1987 with a rise of \$15.1 million or 8.1 percent.

With the easing of the restrictive monetary measures towards the end of 1986, and continued accretion to foreign exchange reserves during the year, the broad measure of money supply (M2) rose by \$44 million or 20.4 percent to \$259.7 million. The bulk of the increase was contributed by time deposits which rose by \$21.5 million or 20.6 percent, as against a rise of 15.5 percent in 1986. Total deposits grew during 1987 at 21.2 percent as against 17.3 percent in 1986. Despite the sharp increase in deposits, there was no increase in excess liquidity with commercial banks during 1987. During 1986, with stagnancy in demand for credit from the private sector, and restrictive monetary and fiscal measures, excess liquidity of the commercial banks had risen by \$14.2 million to \$22.5 million. At the end of 1987 excess liquidity had dropped marginally to \$22.1 million. The reduction in excess liquidity was achieved mainly during the last quarter of the year when domestic credit rose by as much as \$21.6 million as until September 1987 excess liquidity was still high at \$30.5 million.



A highlight of the monetary scene was the continued build-up of reserves. Gross foreign assets of the Central Bank increased by \$19.6 million during 1987 after having risen by \$23.6 million in the previous year. Considering the significant expansion in net domestic credit during the year, this order of increase in reserves should be considered to be a significant development. Net foreign assets of the Central Bank also increased by \$19.6 million as its foreign exchange liabilities at the end of 1987 stood at the same level as at the end of 1986. Net foreign assets of the banking system as a whole amounted to \$37.5 million at the end of 1987 representing an increase of \$19.9 million during the year. This marks a substantial improvement over the position at year end 1985 when foreign liabilities exceeded foreign assets by \$13.8 million, and also over 1986 when net foreign assets were \$17.6 million.

Although the reserves position may be deemed to be comfortable, and to represent a distinct improvement over the recent past, the growing trade deficit should sound a note of caution. During 1987, the trade deficit rose to \$85.7 million from a level of \$71.5 million in 1986. This was not unexpected as a spurt in domestic credit would have a direct impact on the level of imports. Foreign exchange inflows have been strong owing to inward remittances from Belizeans abroad and increased tourism earnings. In order to maintain a growing level of



imports it is imperative that the tempo of export growth is sustained over the coming years. There are good prospects for export growth but these have to be translated into steady growth in export earnings before a favourable balance of payments position is deemed to be sustainable.

Preliminary data indicate that the retail price index rose by 2.0 percent during 1987, as compared with a rise of 0.8 percent during 1986.

The fiscal performance in 1987 shows promise of continued restraint in expenditures and a cautious approach to capital expenditures. In order that debt service should not become a burden on the country's exchange resources the utmost care has to be taken that the purpose of foreign loans and their terms and conditions are such that they generate adequate debt servicing capability in the economy. Although the debt burden is not high in comparison with several other developing countries, the reliance of the economy on a few major agricultural exports and on preferential access to selected overseas markets suggests that the monetary and fiscal authorities should not be complacent and be ever ready to take remedial action if adverse developments in domestic agriculture or in international markets bring up a squeeze on the country's foreign exchange reserves. In this context the diversification of agriculture and the strengthening of the tourism infrastructure acquire high priority.



## PRODUCTION AND EXPORTS

Preliminary estimates indicate that the real gross domestic product (GDP) grew by approximately 5.0 percent during 1987 as compared with a rise of 2.3 percent during 1986, and 3.9 percent for 1985. Most sectors exhibited increased output. Growth was most significant in the primary sector which advanced by over 13 percent over 1986. Specifically, forestry and logging grew by 32.3 percent and the output of fish went up by 16.1 percent. Real output in the secondary sector was mainly influenced by a substantial increase in the production of wheat flour and cigarettes, while services from trade, hotels, restaurants and cafes contributed to the growth of 7.5 percent in the tertiary sector.

Trade and tourist-related services accounted for the most (14.7 percent) of the GDP, followed by agriculture (10.5 percent) as a result of greatly improved production of corn, bananas, citrus, and rice, and transport and communication (9.6 percent).

### Sugar

During the crop year 1986/87 (December to June) 82,320 long tons of sugar were produced from 788,899 long tons of sugar cane (Table 1) while in the previous crop year 93,345 long tons



of sugar were produced from 853,605 long tons of cane. Production declined by 11.8 percent as a result of a 7.6 percent decline in cane deliveries and a deterioration in the quality of cane. Farmers received a final average price of BZ\$49.66 per ton of cane delivered during the season as compared with BZ\$40.33 for the previous season.

Table 1 / Sugar Production 1985 - 1988

('000 long tons)			
	1985/1986	1986/1987	1987/1988 <sup>E</sup>
Sugarcane	853.6	788.9	750,000 <sup>E</sup>
Raw sugar	93.3	82.3	78.0

Notes: E: Estimate  
Crop year normally runs from December to June

Sources: Belize Sugar Board  
Central Bank of Belize

Sugar production for the 1985/86 crop year was 16.7 percent greater than projected, but the final output for the 1986/87 crop year fell short of the projected 85,000 long tons by a marginal 3.1 percent. Due to falling sugar prices and continuous reduction of the United States quota, the factory at Libertad was closed during 1985, thus, possibly, conservative projections were made for the 1985/86 crop year as only the factory at Tower Hill would have been servicing both the Corozal



and Orange Walk farmers. Unfavourable dry weather conditions, operating difficulties experienced by the factory, and continuous dwindling of cane production by Orange Walk farmers whose fields have been deteriorating have resulted in a lower recovery of sugar per ton of cane.

The total volume of sugar exported during the calendar year 1987 fell by 19.8 percent to 78,981 long tons (Table 2).

Table 2 / Sugar Exports 1985 - 1987			
('000 long tons)			
	1985	1986	1987
USA (of which U.S. quota)	17.7 (12.1)	52.0 (16.2)	15.8 (8.5)
EEC (United Kingdom)	42.1	41.2	48.9
Rest of World	35.5	5.3	14.3
Total	95.3	98.5	79.0

Source: Belize Sugar Board

Although the U.S. quota had been reduced and the shortage of cane did not permit exports during the fourth quarter of the year, export earnings during 1987 were only \$0.3 million less than the



August 1987, Petrojam is to acquire some 25,000 acres of land with the Libertad Sugar Factory which had been closed since 1985. Petrojam will utilize an estimated 400,000 tons of cane to produce wet alcohol which will be processed into ethanol in Jamaica. It is expected, as well, to supply the Government of Belize and the Belize Electricity Board with fuel processed from Mexican crude oil in its Jamaican refineries. This arrangement would be in compliance with the San José Accord where Mexico agrees to return up to 20 percent of the value of crude oil purchased by Belize, if the product Belize is buying from Petrojam is considered the same as the crude oil imported from Mexico by Petrojam.

The additional demand for cane would boost production and, hence, economic activity in the northern districts. Efforts are underway to provide material and financial assistance to farmers to rehabilitate canefields and other supportive mechanisms. A first cane price of \$40 per long ton has been set but this may improve as it is usually a reflection of the world market price which is projected to average about 9.98 U.S. cents per pound during 1988. Despite the reduction of the USA quota by 42 percent, the short-term prospects for sugar exports are bright with production being restrained, stocks being further reduced, and world consumption persistently growing.



## Bananas

Exports of bananas to the United Kingdom reached a record 1.2 million boxes during 1987. An average of 540,000 boxes were shipped each year since 1981, except for 1986 when exports amounted to 615,139 boxes (Table 3). The bananas are shipped as 42-lb or 29.5-lb boxes with net weights of 40 pounds and 28 pounds, respectively. Total number of pounds shipped during 1987 were 44.5 million pounds which was 87.0 percent greater than the 23.8 million pounds exported during the previous year.

Table 3/ Exports of Bananas		BZ\$		
	1986		1987	
	Volume	Value	Volume	Value
EXPORTS				
40-lb box (net)				
First-class	545,911	7,233,255	854,964	11,336,823
28-lb box (net)				
First-class	24,395	227,117	366,791	3,414,824
Second-class	44,833	359,112	-	-
TOTAL	615,139	7,819,484	1,221,755	14,751,647
CULTIVATED AREA (Acres)				
	1725		1852	

Source: Banana Control Board



There was a comparable increase in export proceeds of 88.7 percent from \$7.8 million for 1986 to \$14.8 million for the year under review. No changes in prices received per box of bananas occurred during 1987 and only the price of first-class 42-pound boxes rose from \$13.18 per box to \$13.26 as of the April 8, 1986 shipment. Exports of second-class 29.5-lb boxes were discontinued as of October 28, 1986; those were valued at \$8.01 per box but the first-class box of the same size was valued at \$9.31.

Belize continues to enjoy a preferential access to the United Kingdom market for its exports of bananas. The prices offered to the Banana Control Board are re-negotiable every six months, but as previously mentioned, they have remained constant for almost two years. This arrangement is effective until 1992, by which time exports of Belizean bananas are expected to amount to 2.0 million, almost twice the 1987 figure of 1.2 million boxes.

The feasibility of a commercial wharf for banana shipping is being explored. Currently, fruit are barged to the Republic of Honduras for transportation to Europe as adequate port facilities are not available in the south which is the primary area of operations for the industry. Alternative uses of rejected bananas are also being studied. It is estimated that



approximately twenty percent of the bananas harvested each year are unsuitable for export and their use is limited to feed for livestock and local consumption.

### Citrus

The production of citrus fruit increased substantially during the crop year of 1987 as compared with 1986. Deliveries of oranges were up by 32.17 percent at 1.7 million 90-pound boxes while 0.9 million 80-lb boxes of grapefruit, a rise of 35.8 percent, were reaped during 1987 (Table 4). Citrus farmers

Table 4 / Citrus Production and Exports

	1985	1986	1987
<b>Production</b>			
Oranges ('000 90-lb boxes)	1,043	1,265	1,672
Grapefruit ('000 80-lb boxes)	476	650	883
<b>Exports</b>			
Volume ('000 gallons)			
Orange concentrate	798	1,087	1,592
Grapefruit concentrate	450	506	337
Value (BZ\$'000)			
Orange concentrate	17,254	14,762	24,602
Grapefruit concentrate	6,984	8,412	6,405

Source: Central Statistical Office



received \$8.53 per box of oranges and \$6.15 per box of grapefruit delivered. Efforts at agricultural expansion and diversification may have been contributing factors to the upward movement in citrus production. Tariff and quota exemptions which are available to this industry under the Caribbean Basin Initiative may also have been added incentive to increase production.

Exports of citrus concentrate were also higher as a total of 1.9 million gallons were shipped during 1987 as opposed to 1.6 million gallons exported during the previous year. This represents a 21.1 percent increase in total exports with a 46.5 percent rise to 1.6 million gallons of orange concentrate being partly offset by a 33.4 percent fall to 337,000 gallons of grapefruit concentrate exported during 1987.

Proceeds from the sale of citrus exports rose by 33.8 percent from \$23.2 million during 1986 to \$31.0 million during 1987, reflecting an improvement in the average price earned per gallon of concentrate. During 1986, the price of orange concentrate was \$13.58 per gallon and that of grapefruit was \$16.62, while during the year under review, they were \$15.45 and \$19.01 for orange and grapefruit concentrates, respectively.

Projections for the 1987/88 crop indicate that production of citrus fruit is likely to equal to that of 1986/87.



Although recent rains may have resulted in fruit falling prematurely, reports indicate that, citrus trees are abundantly blossoming. A first price of \$6.35 per box of oranges and \$5.95 for grapefruit has been announced. These prices reflect a seasonal decline but orange prices, at least, are estimated to be higher as a result of a decline in world supply. Exports of concentrate from Brazil, one of the region's major producers, are expected to be lower than originally forecasted in response to the reduction in crop production; consequently, export prices should increase. These conditions project an optimistic outlook for the performance of the citrus industry in Belize.

#### Marine Products

The performance of the fishing industry improved in terms of exports during 1987. The total volume of marine products exported amounted to 1.6 million pounds, representing an 18.5 percent increase over the 1.4 million pounds exported during the previous year and a recovery from the decline experienced during that year as compared with the figure for 1985. Total receipts moved upward by 19.0 percent to \$17.1 million indicating an increase in the average price earned per pound of fish (Table 5).



Table 5/ Exports of Marine Products (BZ\$ '000)						
	1985		1986		1987	
'000 lbs	Volume	Value	Volume	Value	Volume	Value
Lobster	695	11,533	489	9,372	469	11,607
Conch	370	2,037	233	1,437	249	1,743
Shrimp	101	705	236	2,360	219	2,079
Crabs	3	17	2	11	7	59
Whole fish	176	308	210	852	604	1,432
Fillet	21	85	69	273	44	180
Aquarium fish	8	28	6	33	3	13
Other	27	40	6	46	6	11
<b>TOTAL</b>	<b>1,401</b>	<b>14,753</b>	<b>1,351</b>	<b>14,384</b>	<b>1,601</b>	<b>17,124</b>

Source: Department of Fisheries

The upward movement in volume may be attributed to the surge in exports of whole fish which amounted to 0.6 million pounds during 1987 as compared with 0.3 million for the previous year. Although this type of marine product makes a contribution of only 8.4 percent to total proceeds, it is gaining in significance (its share was 5.9 percent during 1986) as fishermen are realizing its viability in the industry.

The rise in total export earnings mainly reflected higher receipts from lobster exports as they rose to \$11.6 million from \$9.4 million despite the decline in the amount of



lobster exported from 489,000 pounds during 1986 to 469,000 pounds during the year being reviewed. The average price received per pound increased from approximately \$19.15 in 1986 to \$24.75 in 1987. Similarly, the average unit value for conch improved, up from about \$6.15 to \$7.00, as well as those for crabs and fresh fish.

Shrimp exports suffered a reduction as a result of the availability of smaller than usual sized fish which yield lower prices. Fishermen, therefore, find it more profitable to sell their catch to the local market. A factor which may also have contributed to the fall of shrimp exports to 219,000 pounds during 1987 from 236,000 during 1986 is that the farms, newly established in an effort to shift from extractive operations which may endanger supply, were experiencing operating difficulties, particularly with the chemical balance of the ponds.

Prospects for the fishing industry are promising. The availability of lobster for export has been dwindling in recent years largely because of the illegal hauling of premature fish, thereby reducing reproduction numbers. With the present strict control and monitoring of harvested fish, however, the supply of lobster should not be threatened. Exports of conch to Hong Kong have been successful and, while shrimp farmers are optimistic about overcoming the problem of salinity of the ponds, the number



of shrimp boats operating have been increased thus enabling the possibility of harvesting a larger crop. Many unexplored areas still exist for whole and other fish in the waters. The demand in the U.S.A. is high for marine products and prices obtained are attractive.

### Garments

Garments continue to be one of the most significant commodities in terms of export value. During 1987, some 2.59 million pieces were exported as compared with 2.52 million pieces for 1986 (Table 6). While this represents a marginal rise of 2.9 percent, export earnings declined slightly from \$32.4 million during 1986 to \$31.2 million during the year under review.

Table 6/ Garment Exports			
	1985	1986	1987
Volume (million pieces)	2.17	2.52	2.59
Value (\$ '000)	31,050	32,439	31,238

Source: Central Statistical Office

Production has been steadily increasing while on the other hand, the average price received per piece has somewhat declined. A primary cause of the declining prices may be the shift in production from higher-priced clothing (e.g. overalls)



to lower-priced shirts. Another related factor may be the recent promotions targeted to the American consumers encouraging them to buy American-made products. This campaign has been adversely affecting the exports of garments to the U.S.A., which imports the bulk of the garments produced for export in Belize.

### Vegetables and Fruit

Exports of winter vegetables namely, bell peppers, cucumbers, okras, squash and tomatoes, began in 1985, and production has since been diversified as a result of intensive investments to include papayas, and melons. During 1986, 1.0 million pounds of vegetables and fruit were exported at a value of \$0.7 million and exports grew substantially during 1987 to 7.0 million pounds with earnings of \$4.7 million (Table 7).

	1985	1986	1987 P/
Volume ('000 lbs)	416	978	6,995
Value (\$'000)	28	718	4,719

Source: Central Statistical Office  
P/: Provisional

The final figures for 1987 might have been higher were it not for the discontinuation of operations of the main producer



of vegetables during the latter half of the year. Attempts are under way for the company to resume operations; while in the meantime, other producers continue to export papayas for which the market is promising.

Table 2. Balance of Payments - 1954 - 1955

Item	1954	1955
Exports of goods	122,300	122,300
Imports of goods	122,300	122,300
Exports of services	122,300	122,300
Imports of services	122,300	122,300
Exports of gold and foreign exchange	122,300	122,300
Imports of gold and foreign exchange	122,300	122,300
Change in foreign exchange reserves	122,300	122,300
Change in gold reserves	122,300	122,300
Change in foreign exchange reserves (X)	122,300	122,300
Change in foreign exchange reserves (Y)	122,300	122,300
Change in foreign exchange reserves (Z)	122,300	122,300
Change in foreign exchange reserves (W)	122,300	122,300
Change in foreign exchange reserves (V)	122,300	122,300
Change in foreign exchange reserves (U)	122,300	122,300
Change in foreign exchange reserves (T)	122,300	122,300
Change in foreign exchange reserves (S)	122,300	122,300
Change in foreign exchange reserves (R)	122,300	122,300
Change in foreign exchange reserves (Q)	122,300	122,300
Change in foreign exchange reserves (P)	122,300	122,300
Change in foreign exchange reserves (O)	122,300	122,300
Change in foreign exchange reserves (N)	122,300	122,300
Change in foreign exchange reserves (M)	122,300	122,300
Change in foreign exchange reserves (L)	122,300	122,300
Change in foreign exchange reserves (K)	122,300	122,300
Change in foreign exchange reserves (J)	122,300	122,300
Change in foreign exchange reserves (I)	122,300	122,300
Change in foreign exchange reserves (H)	122,300	122,300
Change in foreign exchange reserves (G)	122,300	122,300
Change in foreign exchange reserves (F)	122,300	122,300
Change in foreign exchange reserves (E)	122,300	122,300
Change in foreign exchange reserves (D)	122,300	122,300
Change in foreign exchange reserves (C)	122,300	122,300
Change in foreign exchange reserves (B)	122,300	122,300
Change in foreign exchange reserves (A)	122,300	122,300



MONEY, CREDIT AND PRICES

The expansion in credit during 1987 which accompanied the significant increase in gross domestic product led to a reduction in the build up of excess liquidity of commercial banks. Although interest rates during the year were at lower levels as compared with 1986, following the downward adjustments effected in mid-1986, there was a substantial increase in deposits which reflected the growth in incomes.

Table 8 / Deposit Growth: 1985 - 1987			\$'000
	1985	1986	1987
Total Deposits	<u>151,190</u>	<u>175,355</u>	<u>213,575</u>
Change in Total Deposits	+7,596	+24,165	+38,220
Change in Total Deposits (%)	+5.3	+16.0	+21.8
Demand Deposits	<u>28,418</u>	<u>32,444</u>	<u>41,241</u>
Change in Demand Deposits	-1,685	+4,026	+8,797
Change in Demand Deposits (%)	+5.6	+14.2	+27.1
Savings and Time Deposits	<u>122,772</u>	<u>142,911</u>	<u>172,334</u>
Change in Savings and Time Deposits	+9,281	+20,139	+29,423
Change in Savings and Time Deposits (%)	+8.2	+16.4	+20.6

Total deposits with commercial banks in the form of demand, savings and time deposits grew by \$38.2 million or 21.8 percent during 1987 as against an increase of \$24.2 million or



16.0 percent in 1986 (Table 8). This substantial increase in 1987 was manifested in an increase of \$21.2 million in the level of time deposits and an increase of \$8.8 million in demand deposits while savings deposits showed a smaller increase of \$8.2 million. A major factor contributing to this highly skewed growth pattern relates to the greater attractiveness of the time deposit instrument resulting from the higher interest rates paid on this category of deposits as against the other categories and the absence of other suitable financial instruments.

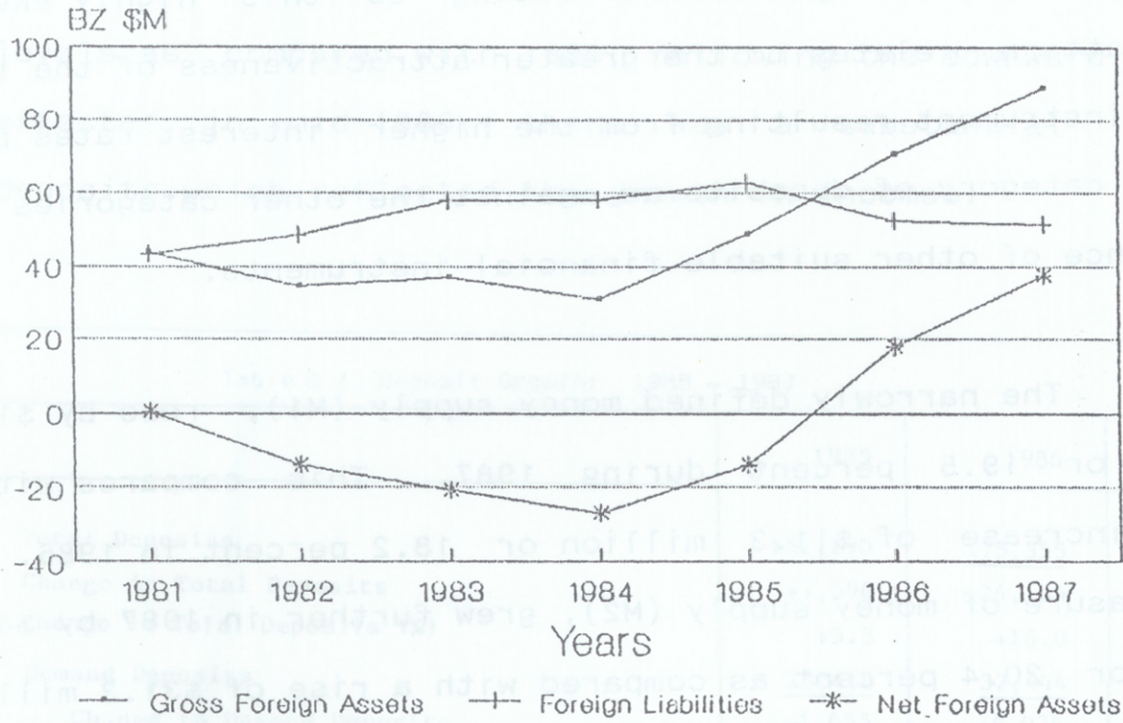
The narrowly defined money supply (M1), rose by \$14.3 million or 19.5 percent during 1987. This compares with a smaller increase of \$11.3 million or 18.2 percent in 1986. The broad measure of money supply (M2), grew further in 1987 by \$44.0 million or 20.4 percent as compared with a rise of \$31.3 million or 17.0 percent in 1986.

The marked acceleration in the rate of growth of M2 reflected the expansionary effect of net foreign assets of the banking system which grew by \$19.9 million during 1987 (Chart A). The Central Bank's foreign assets ratio, which is required by law not to fall below 40 percent, rose from 72.0 percent at the end of December 1986 to 87.5 percent at the end of December, 1987. Concomitant with this development was an increase in net domestic credit of \$15.1 million or 8.1 percent.



CHART A

## Net Foreign Assets of the Banking System



Source: Central Bank of Belize



Whereas in 1986 there was a decline of \$8.3 million or 4.3 percent in net domestic credit. The increase in net domestic credit during 1987 was mainly on account of a dramatic increase of \$29.7 million or 23.5 percent in gross credit to the private sector. This was more than offset by a fall in net credit to the public sector which fell further by \$14.6 million or 24.1 percent in 1987 following a decline of \$7.8 million or 11.4 percent in 1986 (Table 9).

Net credit to the Central Government declined by \$11.8 million to \$82.7 million during the year as against an increase of \$4.1 million in 1986. During the year Central Bank loans and advances to the Central Government fell by \$12.1 million to \$43.4 million as compared with a smaller decline of \$8.4 million in 1986. On the other hand, loans and advances extended by the commercial banks to the Central Government grew by \$1.7 million to \$48.3 million during 1987. Central Government deposits with the Central Bank amounted to \$7.6 million at the end of 1987 and with the commercial banks to \$1.4 million. These levels represented increases of \$1.2 million and of \$0.2 million respectively as compared with the position at the end of 1986.

Loans and advances extended by the commercial banks to Other Public Sector grew by \$6.0 million to \$9.0 million in 1987 as against a decline of \$1.5 million to \$3.0 million in 1986.



Table 9 / Domestic Credit Extended by the Banking System				\$M
	1985	1986	1987	Change 1987/1986
A. By Source	195.3	187.0	202.1	+15.1
Central Bank	48.7	33.6	18.0	-15.6
Loans and Advances(1)	29.3	31.6	28.9	-2.7
Govt Securities	34.7	24.0	14.5	-9.5
Less				
Govt Deposits	3.8	6.4	7.6	+1.2
Other Public Sector Deposits	11.5	15.6	17.8	+2.2
Commercial Banks	146.6	153.4	184.1	+30.7
Loans and Advances	141.4	135.0	163.9	+28.9
Govt Securities	14.6	34.6	40.5	+5.9
Other(2)	5.9	6.6	9.2	+2.6
Less				
Govt Deposits	0.9	1.2	1.4	+0.2
Other Public Sector Deposits	14.4	21.6	28.1	+6.5
B. By End User	195.3	187.0	202.1	+15.1
Public Sector (Net)	68.3	60.5	45.9	-14.6
of which:				
Central Government	90.4	94.5	82.7	-11.8
Other Public Sector	(22.1)	(34.0)	(36.8)	-2.8
Private Sector (Gross)	127.0	126.5	156.2	+29.7

Notes: (1) Includes Compensatory Financing Facility and drawings on the local currency counterpart of the external credits provided under the IMF Standby Facility

(2) Outstanding letters of credit, bank guarantees and bank acceptances.



Other Public sector deposits with the commercial banks rose by \$6.5 million to \$28.1 million during 1987. This increase was largely accounted for by the Belize Electricity Board and the Belize Telecommunications Limited. Net credit to Other Public Sector extended by the banking system declined during the year by \$2.8 million following a larger decline in 1986 of \$11.9 million.

Deposits of Other Public Sector with the Central Bank grew by \$2.2 million to \$17.8 million. This represented essentially an increase of \$2.1 million in Belize Social Security Board deposits with the Central Bank.

Loans and advances extended by the commercial banks to the private sector grew by \$27.1 million or 22.6 percent to \$147.0 million as against a decline of \$1.2 million or 1.0 percent in 1986. Outstanding letters of credit, bank guarantees and bank acceptances amounted to \$9.2 million, an increase of \$2.6 million over their level at the end of 1986.

Loans and advances extended by the commercial banks to agriculture, the dominant productive sector within the economy rose by \$8.7 million or 68.0 percent during 1987 as compared with a decline of \$1.5 million or 10.5 percent during 1986. Loans and advances to the Tourism industry rose by \$2.5 million during 1987 as against a marginal increase of \$0.1 million in 1986. There



was an increase of \$4.4 million or 23.2 percent in loans and advances to Construction. The decline in loans and advances to Manufacturing of \$2.5 million or 15.0 percent in 1987 followed a larger decline in 1986 of \$4.4 million or 20.9 percent. The sharp increase in loans and advances to Manufacturing by \$5.0 million or 54.4 percent during the last quarter of 1987 may be seen as an indication of a turn-around in loans and advances to this sector. The distributive trades have continued to dominate the sectoral distribution of loans and advances rising by \$7.0 million or 15.9 percent during 1987. This is in part a consequence of the structure of the economy. In the residual "Other" category there were increases in credit to commercial fishing, professional services and financial institutions (Table 10).

Sector	\$M			
	1985	1986	1987	Change 1987/1986
Productive	60.0	57.4	72.1	+14.7
Agriculture	14.3	12.8	21.5	+8.7
Manufacturing	21.1	16.7	14.2	-2.5
Building and Construction	15.4	19.0	23.4	+4.4
Mining	5.8	5.0	4.7	-0.3
Transport	1.9	2.3	4.2	+1.9
Tourism	1.5	1.6	4.1	+2.5
Consumer Oriented	56.7	56.4	66.2	+9.8
Public Sector(1)	17.8	13.1	14.5	+1.4
Other(2)	6.9	8.1	11.1	+3.0
Total	141.4	135.0	163.9	+28.9

- Notes: (1) Government services and public utilities  
(2) Real estate, financial institutions, entertainment, forestry, commercial fishing and professional services



Excess liquidity peaked at \$35.2 million in July 1987, falling thereafter to a year-end level of \$22.1 million. This compares with \$22.5 million at the end of December 1986. The fall in the liquidity of the banking system during the last six months of 1987 reflected the strong growth in credit which rose by 13.8 percent during the period July to December 1987 (Table 11).

	1985	1986	1987	Change 1987/1986
Approved Liquid Assets	52.5	73.4	82.5	+9.1
Vault Cash	4.1	4.8	5.4	+0.6
Balances with Central Bank	14.9	17.2	19.4	+2.2
Foreign and Call Balances	13.5	16.3	14.0	-2.3
Treasury Bills	14.4	30.3	39.3	+9.0
Other Approved Assets	5.6	4.8	4.4	-0.4
Required Liquid Assets	44.3	50.9	60.4	+9.5
Daily Cash Reserves	14.9	17.2	19.4	+2.2
Required Cash Reserves	13.3	15.3	18.1	+2.8
Excess Liquid Assets	+8.2	+22.5	+22.1	-0.4
Excess Cash Reserves	+1.6	+1.9	+1.3	-0.6



Commercial banks' holdings of approved liquid assets grew by \$9.1 million during 1987 as against \$20.9 million in 1986. (Table 11). The assets which recorded significant increases were Treasury bills maturing in not more than 90 days which rose by \$9.0 million during 1987, and balances with the Central Bank.

The average holding of cash reserves at the end of December 1987 was \$19.4 million as compared to \$17.2 million in December 1986. With required cash reserves at \$18.1 million at December 1987, excess cash reserves were \$0.6 million lower than a year ago.

The downward adjustment in the structure of interest rates in mid December 1986 sought to eliminate the sluggishness in the demand for credit. This downward adjustment has no doubt contributed to some extent to the increased demand for credit during 1987.

There was a steady decline in average deposit and lending rates of interest during the year. With commercial banks remaining liquid, the weighted average deposit rate fell by 1.1 percentage point to 7.2 percent during 1987. The weighted average lending rate on the other hand fell by 0.6 percentage point to 13.8 percent. Although the loan and deposit rates have been declining for most of 1987, by December 1987, the spread between these rates had widened from a level of 6.1 percent to 6.6 percent.



TABLE 12: CENTRAL GOVERNMENT OPERATIONS

FISCAL YEAR 1987/88

The commercial banks' prime lending rate was lowered by 2 percentage points to 12 percent in December 1986, and remained unchanged at that level at the end of December 1987. The domestic Treasury bill rate, on the other hand, fell from 9.17 percent in December 1986 to 8.80 percent at the end of December 1987.

The domestic rate of inflation as measured by the consumer price index was 2.0 percent during 1987. This compares with the 0.8 percent increase during 1986.

	Actual	Budget	1986/87
Revenue	115.2	115.7	115.7
Expenditure	115.7	115.7	115.7
Surplus/Deficit	0.0	0.0	0.0
Foreign	27.0	27.0	27.0
Domestic	88.7	88.7	88.7
Planning	22.0	22.0	22.0
Imports and stamp duties	21.2	21.2	21.2
due to a greater demand for imports			
to 2.7% of current value for			
Imports and stamp duties show the largest increases which may be			
seen from Table 12 that			
58.8 million for 1986/87. It can be seen from Table 12 that			
million (2.6 percent of total current revenue) as compared with			
27.0 million for 1986/87. The expected figure for 1987/88 is 27.0			
million. Increased revenues			
against 27.0 million for the previous year. Increased revenues			
in recurrent revenue which is expected to total 27.0 million as			
General Government may be attributed to the 10.5 percent increase			
The improvement in the financial position of the			

Source: Ministry of Finance



## FISCAL OPERATIONS

### Central Government: Performance in 1987/88

The budget deficit of the Central Government for the fiscal year 1987/88 is estimated at \$31.2 million, as compared with a \$27.9 million deficit for the 1986/87 fiscal year (Table 12). The surplus in the recurrent account at \$14.8 million may be over two and one-half times greater than the previous year's figure of \$5.7 million and the capital account may net a deficit of \$26.5 million (excluding debt servicing) as against \$26.0 million during the 1986/87 fiscal year.

The improvement in the financial position of the Central Government may be attributed to the 10.5 percent increase in recurrent revenue which is expected to total \$123.0 million as against \$111.3 million for the previous year. Increased revenues from taxes on international trade and transactions, contributed to the rise in revenue: the expected figure for 1987/88 is \$77.0 million (62.6 percent of total current revenue) as compared with \$65.8 million for 1986/87. It can be seen from Table 12 that import and stamp duties show the largest increases which may be due to a greater demand for imports. hand fell by 0.6 percentage point to 13.5 percent. Although the loan and deposit rates have been declining for most of 1987, by December 1987, the spread between these rates had widened from a level of 5.1 percent to 5.8 percent.



TABLE 12: CENTRAL GOVERNMENT OPERATIONS

FISCAL YEAR 1987/88

	Actual 1986/87	Budget 1987/88	Projected 1987/88
Total Revenue	<u>115.3</u>	<u>119.7</u>	<u>125.5</u>
Recurrent Revenue	111.3	114.2	123.0
Tax revenue	94.4	97.8	108.9
Income	21.3	23.3	24.0
Property	1.7	1.3	1.4
International trade and transactions	65.8	67.7	77.0
Goods and services	5.6	5.5	6.5
Non-tax revenue	16.9	16.5	14.1
Licenses	2.2	3.0	2.5
Rents and royalties	1.1	0.9	0.9
Government departments	8.1	5.4	5.3
Transfers from Statutory Boards	4.3	5.6	4.2
Other	1.1	1.6	1.2
Capital Revenue	1.5	3.0	2.5
Citizenship bonds	1.5	3.0	2.5
Sale of equity	-	-	-
Grants	2.5	2.5	-
Total Expenditure	<u>143.2</u>	<u>164.3</u>	<u>156.7</u>
Recurrent Expenditure	105.6	114.4	108.2
Wages and salaries	50.3	56.7	57.0
Pensions	4.8	5.0	5.8
Goods and services	24.8	26.4	25.3
Interest	14.1	14.2	12.9
Subsidies and transfers	11.6	12.1	11.0
Capital Expenditure	37.6	49.9	48.5
Development	27.5	38.5	29.0
Amortisation	10.1	11.4	19.5
(of which: transfers to N.F.P.E.'s)	6.3	7.7	7.4
Recurrent Balance (Surplus/-Deficit)	5.7	-0.2	14.8
Overall Balance (Surplus/-Deficit)	<u>-27.9</u>	<u>-44.6</u>	<u>-31.2</u>
Financing	27.9	44.6	31.2
Domestic	6.9	10.8	4.0
Foreign	21.0	33.8	27.2

Source: Ministry of Finance



TABLE 13: TAXES ON INTERNATIONAL TRADE AND TRANSACTIONS

	BZ\$M	
	1986/87	Estimated 1987/88
Excise on spirits and beer	4.9	5.9
Excise on cigarettes	2.3	1.5
Excise on soft drinks	2.4	2.4
Import duties	29.0	33.2
Export duties	1.9	2.0
Revenue replacement duties	10.5	13.4
Stamp duties (customs)	12.4	16.0
Goods intransit	2.4	2.6
<b>TOTAL</b>	<b>65.8</b>	<b>77.0</b>

Source: Ministry of Finance

Non-tax revenues are expected to decline by 16.6 or \$2.8 million to \$14.1 million, primarily as a result of reductions in revenues generated by government departments. Transfers from Statutory Boards fell by a marginal \$0.1 million to \$4.2 million while Capital revenue from the sale of citizenship bonds may be \$2.5 million as against \$1.5 million for the previous year. No grants are expected for the period under review but they amounted to \$2.5 million during 1986/87.

Total recurrent expenditure for the fiscal year 1987/88 may be \$2.6 million or 2.5 percent higher than the 1986/87 level of \$105.6 million. Increases in expenses were largely restricted



to wages and salaries, as prescribed under the Public Service Review Programme, which may rise by \$6.7 million to \$57.0 million (52.7 percent of total current expenditure), and consequently to pensions which were higher by \$1.0 million.

Expenditure on development for the 1987/88 fiscal year may amount to \$29.0 million or \$1.5 million greater than the \$27.5 million spent during the previous year despite the decline in expenditure on the water and sewerage project which is in its final stages of completion.

Debt servicing by the Government continues to be manageable as no arrears are being accumulated. Interest payments amount to \$12.9 million and repayments on loans to \$12.1 million while payments on behalf of statutory bodies amount to \$4.0 million and \$7.4 million respectively.

Financing of the \$31.2 million deficit to be accrued for 1987/88 is expected to be obtained mainly from external sources in the amount of approximately \$27.0 million while domestic credit may aggregate \$4.0 million. During the previous fiscal year the Government borrowed \$21.0 million from external sources and \$6.9 million were obtained from domestic sources.



## Budget Estimates for 1988/89

Budget estimates of the Central Government for the 1988/89 fiscal year indicate an overall deficit of \$17.5 million. This is 60.8 percent lower than budgeted for the fiscal year of 1987/88 and 43.9 percent below the actual outcome expected for that same year (Table 14). The revenues and grants are projected at \$161.2 million and expenditures are estimated at \$178.7 million.

TABLE 14: BUDGET ESTIMATES 1988/89

Total Revenue	161.2
Recurrent	132.2
Capital	26.0
Grants	3.0
Total Expenditure	178.7
Recurrent	131.3
Capital	47.4
Part II	22.4
Part III	25.0
Overall Deficit	-17.5
Financing	17.5
Domestic	-9.5
Foreign	27.0

Source: Belize, Estimates of Revenue and Expenditures, 1988/89



Recurrent revenues are expected to amount to \$132.2 million during 1988/89 as against \$114.2 million for 1987/88, largely as a result of a projected increase in tax revenue from \$97 million to \$114.3 million (Table 15). Recurrent expenditure, in keeping with the Government's objective, was restricted to \$131.3 million which will offset current revenue to precipitate a surplus of \$0.9 million. In comparison, expenditure for 1987/88 was budgeted at \$134.4 million. The higher expenditures in

TABLE 15: RECURRENT BUDGET 1988/89

BZ\$ '000

Recurrent Revenue	132.2
Tax revenue	114.2
Income	28.0
Property	1.9
International trade and transactions	77.3
Goods and services	7.0
Non-tax revenue	18.0
Recurrent Expenditure	131.3
Wages and salaries	59.7
Pensions	6.0
Goods and services (includes subsidies and transfers)	31.7
Debt service	33.9
Amortisation	16.7
Interest	15.5
Sinking fund	1.7
Recurrent Balance (Surplus/-Deficit)	0.9

Source: Belize, Estimates of Revenue and Expenditures, 1988/89



1988/89 reflects additional expenses on wages and salaries and pensions but outlays on goods and services have been cut by \$5.5 million.

The expected surplus on the recurrent account and \$26.0 million in capital revenues are to partially finance an estimated \$47.4 million in expenditure on development projects. Some \$2.0 million of citizenship bonds and \$24.0 million of equity held by Government are to be sold during fiscal year 1988/89. Proceeds from the sale of equity refer to the sale of shares in the Belize Telecommunications Limited. On January 1, 1988, the assets of Cable and Wireless, which supplied international telecommunications services in Belize, were transferred to the new public limited company in which the assets of the Belize Telecommunications Authority, a Statutory Board, were vested in November 1987. Transfers to Central Government from BTA will now be replaced by taxes and dividends (Government holds 51 percent of total shares) paid by the new company, BTL. The capital expenditure programme for the 1988/89 fiscal year has been designed to facilitate continuation of on-going projects and to make additional contributions to the productive and social sectors. It may be noted that revenues generated from local sources will cover all of Part II, and a portion of Part III, capital expenditures (Table 16). This would be a significant achievement.



The funding required for the 1988/89 fiscal year in order to finance the \$17.5 million deficit, which is entirely for Capital III expenditure, will be traditionally obtained from external sources under the overseas economic cooperation programme. It is expected that domestic credit will

TABLE 16: SOURCES AND FLOW OF FUNDS 1988/89

BZ\$M

Recurrent surplus	0.9
Capital revenue	26.0
Grants	3.0
	<hr/>
	29.9
Less: Capital II expenditure	(22.4)
	7.5
Less: Capital III expenditure	(25.0)
DEFICIT	(17.5)
FINANCING	17.5
of which:	
Domestic	-9.5
Foreign	27.0
- Governments	(14.3)
- Development Institutions	(7.7)
- Economic Stabilization Fund	(5.0)

actually decline by \$9.5 million as the Central Government continues to reduce its outstanding domestic debt, and \$27.0 million will be drawn from foreign governments and development institutions.



The Central Government continues to encourage private sector involvement in export oriented activities, economic diversification and employment creation. While no new taxes are to be levied during the fiscal year under review, the tax system will be rationalised with a view to maximizing investment incentives and employment. Recurrent expenditure is being restrained and transfers to the Statutory Boards, for the most part, have been limited as they are better able to meet their own debt service obligations. Capital spending is more focussed on physical infrastructure such as roads, water and electricity and on education and health facilities.



PUBLIC SECTOR EXTERNAL DEBT

At December 31, 1987 outstanding debt stood at US\$117.6 million. This represents an increase of some US\$11.8 million or 11.2 percent over the revised position of US\$105.8 million at the end of 1986, valuation adjustments accounting for US\$10.9 million of this increase. Over the last three years exchange rate fluctuations have accounted for total increases of US\$21.8 million in the external public debt.

A total of eight loans were signed by the public sector in 1987. Of these loans, two were disbursed during the year. A loan of US\$2.3 million, of which US\$2.0 million was guaranteed by the Central Government, was signed by Belize Telecommunications Limited and the Bank of Nova Scotia. This loan was fully disbursed and used for the purchase of the assets of Cable and Wireless which ceased operations in Belize at the end of the year. The other loan was signed by the Government of Belize and the Caribbean Development Bank, the proceeds of which are to be used for an airport feasibility study.

Total disbursements of US\$9.6 million were made on new and existing loans during the period under review. Some of these are reviewed below.



The UK Government continued to provide funds under the UK Belize Grant and Loan 1985 for a variety of projects including the upgrading of the Belize School of Agriculture and the Forestry Workshop as well as the upgrading of the Western Highway. Funds were also provided under another loan for the improvement of the International Airport.

The Government of the USA, through USAID, continued disbursements of several loans. These included a disbursement of US\$1.5 million under the Economic Stabilization Agreement, making a total of US\$13.0 million with the balance of US\$1.5 million due for disbursement early in 1988. There was a cancellation of some US\$2.1 million on the Commercial Bank Rediscount Fund thereby reducing the loan amount to US\$2.9 million. The total disbursed under this loan in 1987 was US\$1.1 million and these funds were used by the commercial banks for on-lending to the private sector.

The Housing and Home Improvement Loan, which is being disbursed through the Development Finance Corporation, had total disbursements in 1987 of US\$332,290 with the final disbursement expected in 1988. These funds have been on-lent to Credit Unions for the use of their members, as well as to WASA for soft loans to the private sector. Disbursements in 1987 under the Livestock Improvement loan were US\$0.4 million making total disbursements of US\$1.8 million from a US\$1.9 million loan.



Development Finance Corporation had two other active loans. There was a final disbursement of US\$43,428 in January 1987 under the European Investment Bank Second Global Loan for the financing of various projects. There were also disbursements of US\$677,000 under the Agriculture and Investment Line of Credit from The Caribbean Development Bank which were used for mortgage financing and student loans.

There were disbursements under two loans from IBRD. These were the Road Maintenance and Rehabilitation Project under which US\$0.2 million was disbursed, completing the disbursements under this loan, and a Power Project Loan, signed in 1986, under which US\$0.8 million was disbursed in December.

Principal repayments for the period January to December 1987 were US\$8.7 million. These included the first principal repayments on both the IBRD Road Maintenance and Rehabilitation Loan and the Finexpo Housing Loan. Final payments were made on the loan for the purchase of BSI shares.

At December 31, 1987 all loans were current and debt service for the year totalled US\$13.0 million interest payments for the year being US\$4.3 million.



Debt servicing for 1988 is estimated to be US\$13.8 million. Principal repayments are estimated at US\$9.8 million and interest payments at US\$4.0 million.

Loans that are due for final repayment in 1988 include the Trinidad and Tobago Banana Loan of US\$1 million, that is due in a lump sum repayment; and the Compensatory Financing Facility of the IMF.

The level of outstanding external public debt rose from US\$63.1 million at the end of 1982 to US\$96.0 at the end of 1987, excluding valuation adjustments. The major part of this increase occurred in 1985 when disbursements aggregated US\$26.6 million including US\$4.8 million under the IMF standby arrangement and US\$7.5 million under USAID Economic Stabilisation loans. With the improvement in the net foreign assets of the banking system during 1986 and 1987 facilitating amortisation of debt as scheduled, the net increase in external debt has been limited to US\$2.9 million in 1986 and US\$1.1 million in 1987 (Table 18). Over the five year period 1983/87, disbursements amounted to US\$65.2 million and repayments to US\$32.8 million resulting in a net inflow of external assistance of the order of US\$32.4 million or an average of US\$6.5 million per year.

Debt service payments rose from US\$5.0 million in 1983 to US\$13.0 million in 1987, and represented 8.2 percent and 15.0



percent of exports respectively. Apart from the rise in the volume of debt, the depreciation of the US dollar since early 1985 has contributed to the rise in debt service payments.

TABLE 18: EXTERNAL DEBT

(US\$M)

	1983	1984	1985	1986	1987
Opening Balance	63.1	68.3 <sup>R</sup>	74.7 <sup>R</sup>	92.0	94.9
Disbursements	8.4	8.3	26.6	12.1	9.8
Amortisations	3.4	2.2	9.3	9.2	8.7
Interest	1.6	2.8	6.2	4.6	4.3
Closing Balance	68.1	74.4	92.0	94.9	96.0

The above figures do not reflect changes in exchange rates subsequent to the dates of disbursement of the various loans.

R - Revised



TABLE 19: EXTERNAL DEBT

(US\$M)

	1983	1984	1985	1986	1987
Opening Balance	63.1	68.3 <sup>R</sup>	74.7 <sup>R</sup>	98.3	105.8 <sup>R</sup>
Disbursements	8.4	8.3	26.6	12.1	9.6
Amortisation	3.4	2.2	9.3	9.2	8.7
Interest	1.6	2.8	6.2	4.6	4.3
Valuation	n.a.	n.a.	6.3	5.1	10.9
Closing Balance	68.1	74.4	98.3	106.3	117.6

R - Revised



Table 20/ External Debt by Creditor, 1987

(US\$M)

	1986 Balance	Drawn	Amortization	Interest	Valuation Adjustment	1987 Balance
<b>Multilateral</b>						
CDB	20.5	0.8	1.4	0.9	1.0	20.9
IMF	11.4	-	1.8	0.8	2.0	11.6
IBRD	5.1	1.0	0.2	0.7	3.5	9.4
EEC/EIB	10.3	-	-	0.1	-0.7	9.6
Other	0.2	-	-	-	0.0	0.2
<b>Bilateral</b>						
USAID	21.8	3.3	-	0.4	0.0	25.1
CIDA	8.6	-	0.2	0.1	0.3	8.7
UK	11.1	2.2	0.2	-	3.0	16.1
CDC	5.7	-	1.3	0.6	1.3	5.7
T & T	1.1	-	-	0.1	0.0	1.1
Other	4.6	-	0.4	0.2	0.0	4.2
<b>Private</b>						
Suppliers	3.7	-	2.1	0.2	0.5	2.1
Other	1.7	2.3	1.1	0.2	0.0	2.9
TOTAL	105.8	9.6	8.7	4.3	10.9	117.6

R

R - Revised



## BALANCE OF PAYMENTS

The improvement in the country's balance of payments achieved in 1986 was maintained in 1987, despite a sharp increase in imports following a significantly higher level of economic activity and, in particular, expansion in net domestic credit. Net foreign exchange reserves of the Central Bank rose by US\$9.8 million in 1987. Inflows on capital account accounted for 12.8 percent of total inflows in 1987 as compared with 12.4 percent in 1986. As in 1986, there was a modest surplus on the current account while the capital account had a nominal surplus (Table 17).

### Current Account

The surplus on current account in 1987 is estimated at US\$15.3 million as against a revised surplus of US\$18.2 million in 1986. There was an increase of US\$9.9 million in the deficit on visible trade as compared with the position in 1986 following the sharp increase in imports. On a f.o.b. basis, imports rose by 23.2 percent to US\$116.2 million in 1987. Exports too rose sharply by 16.1 percent to US\$86.7 million. Earnings from tourism have been estimated on the basis of preliminary results of a survey of tourism earnings at US\$21.0 million and US\$23.5 million respectively for 1986 and 1987. Foreign exchange



expenditure on the Travel account at US\$5.0 million in 1987 was only marginally higher than in 1986. Private unrequited transfers continued to be a significant element in the current account with inward remittances estimated at about US\$20.2 million. Inflows on account of such transfers on official account are estimated at US\$17.5 million.

### Capital Account

The net inflows on capital account in 1987 were marginal as in 1986. Direct Investment (net) has been estimated at US\$1.9 million in 1987 as compared with US\$4.6 million in the previous year. There was a significant outflow in 1987 on account of payment made to Cable and Wireless at the end of the year when its assets were taken over by the newly formed Belize Telecommunications Limited. Repayment of external public debt amounted to some US\$8.7 million. The overall surplus on capital account is estimated at US\$0.2 million. Together with errors and omissions (net) amounting to -US\$5.7 million, the surplus on the current and capital accounts resulted in a net increase in reserves of US\$9.8 million.



Table 17 / Balance of Payments: 1987

US\$M

	1986R			1987P		
	Credit	Debit	Net	Credit	Debit	Net
<u>CURRENT ACCOUNT</u>	<u>162.6</u>	<u>144.4</u>	<u>18.2</u>	<u>188.8</u>	<u>173.5</u>	<u>15.3</u>
Visible Trade	74.7	94.3	-19.6	86.7	116.2	-29.5
Invisible Trade	56.6	43.5	13.1	64.4	49.6	14.8
Shipment	0.0	13.6	-13.6	0.0	16.1	-16.1
Other Transportation	5.7	4.4	1.4	7.4	4.8	2.6
Travel	21.0	4.6	16.4	23.5	5.0	18.5
Investment Income	1.4	8.8	-7.4	1.6	7.8	-6.2
Direct Investment	-0.3	3.4	-3.7	0.8	3.0	-3.8
Interest Income	1.7	5.4	-3.7	2.4	4.9	-2.5
Other Goods & Serv.	28.5	12.2	16.3	31.9	15.9	16.0
Official (nie)	15.9	1.2	14.7	21.0	1.8	19.2
Private	12.6	11.0	1.6	10.9	14.1	-3.2
Unrequited Transf.	31.3	6.6	24.7	37.7	7.7	30.0
Official	13.0	3.6	9.4	17.5	5.3	12.2
Private	18.3	3.0	15.3	20.2	2.4	17.8
<u>CAPITAL ACCOUNT</u>	<u>23.1</u>	<u>22.4</u>	<u>0.7</u>	<u>27.6</u>	<u>27.4</u>	<u>0.2</u>
Direct Investment	8.3	3.7	4.6	8.0	6.1	1.9
Other	14.8	18.7	-3.9	19.6	21.3	-1.7
Official	13.0	9.3	3.7	10.1	8.7	1.4
Private	1.8	9.4	-7.6	9.5	12.6	-3.1
- Commercial Banks	1.2	6.2	-5.0	0.4	0.5	-0.1
- Other Private	0.6	3.2	-2.6	9.1	12.1	-3.0
Errors & Omissions			-8.1			-5.7
Overall Balance			10.8			9.8
Changes in Reserves (Net) (Increase = -)	1.0	11.8	-10.8	-	9.8	-9.8

R: Revised

P: Preliminary



OPERATIONS

Foreign Exchange Operations

The Central Bank buys and sells certain stipulated currencies from Authorized Dealers at given rates and for authorized transactions.

These currencies are:

- a) the United States dollar
- b) the pound sterling
- c) the Canadian dollar
- d) the currencies of CARICOM member countries

During 1987, net sales of United States dollar, sterling and Canadian dollars totalled \$0.7 million. This contrasts with net purchases of \$15.3 million in 1986. On a gross basis, the Central Bank's foreign exchange purchases totalled \$94.6 million as against \$95.3 million in gross sales.

The net result of the Central Bank's dealings in CARICOM currencies is shown in Table 21. Purchases of Caricom currencies were \$13.4 million in 1987 as against \$1.8 million in 1986. In 1987 sales of Caricom currencies amounted to \$7.0 million as against \$5.5 million in 1986.

This resulted in net purchases of CARICOM currencies totalling \$6.4 million in 1987.

TABLE 21 / CENTRAL BANK EXTERNAL ASSETS RATIO / 1987 MONTH END LEVEL

MONTH	SALES	PURCHASES	TOTAL
JANUARY	13,439	8,283	5,156
FEBRUARY	8,014	8,288	274
MARCH	10,000	18,031	8,031
APRIL	4,000	8,288	4,288
MAY	11,574	8,288	3,286
JUNE	8,288	8,288	0
JULY	8,288	8,288	0
AUGUST	8,288	8,288	0
SEPTEMBER	8,288	8,288	0
OCTOBER	8,288	8,288	0
NOVEMBER	8,288	8,288	0
DECEMBER	8,288	8,288	0
TOTAL	95,300	134,000	38,700



TABLE 21/ CENTRAL BANK DEALINGS IN FOREIGN EXCHANGE  
WITH FINANCIAL INSTITUTIONS IN BELIZE  
1987/ (CARICOM CURRENCIES)

(\$'000)

MONTH	PURCHASES	SALES	NET PURCHASES
JANUARY	523	714	-191
FEBRUARY	3,040	679	2,361
MARCH	368	368	-
APRIL	1,306	508	798
MAY	1,192	556	636
JUNE	1,863	501	1,362
JULY	769	607	162
AUGUST	103	454	-351
SEPTEMBER	324	664	-340
OCTOBER	1,350	536	814
NOVEMBER	1,912	819	1,093
DECEMBER	652	605	47
TOTAL	13,402	7,011	+6,391

TABLE 22 / CENTRAL BANK DEALINGS IN FOREIGN  
EXCHANGE WITH FINANCIAL INSTITUTIONS  
IN BELIZE/1987 (NON-CARICOM CURRENCIES)

(\$'000)

MONTH	PURCHASES	SALES	NET PURCHASES
JANUARY	13,439	4,788	8,651
FEBRUARY	5,383	6,014	-631
MARCH	8,288	3,525	4,763
APRIL	15,031	4,955	10,076
MAY	5,859	4,754	1,105
JUNE	9,096	11,574	- 2,478
JULY	9,812	8,376	1,436
AUGUST	3,313	17,629	- 14,316
SEPTEMBER	4,247	6,075	- 1,828
OCTOBER	4,803	7,980	- 3,177
NOVEMBER	4,535	9,784	-5,249
DECEMBER	10,760	9,836	924
TOTAL	94,566	95,290	-724



## External Assets Ratio

By law, the Central Bank is required at all times to maintain a reserve of approved external assets equal to not less than 40 percent of notes and coins in circulation plus its liabilities with respect to sight and time deposits.

In 1987, the Bank maintained the required ratio at all times. The ratio rose to as high as 101.66 percent in June and the lowest value was 83.33 percent in January. In July, foreign assets reached their highest level of \$81.4 million, falling to \$71.6 million at the end of the year. Demand liabilities, on the other hand, were highest in May, 1987, falling to \$81.8 million at the end of December. (Table 23).

MONTH	APPROVED EXTERNAL ASSETS	CURRENCY AND DEMAND LIABILITIES	RATIO
JANUARY	61,746	72,428	83.33
FEBRUARY	61,746	72,336	85.36
MARCH	67,746	71,228	94.74
APRIL	78,617	79,736	98.60
MAY	80,798	82,237	98.25
JUNE	79,342	78,049	101.66
JULY	81,369	80,689	100.84
AUGUST	76,164	80,081	96.34
SEPTEMBER	74,734	77,509	96.42
OCTOBER	72,319	77,159	93.73
NOVEMBER	60,229	79,042	86.32
DECEMBER*	71,592	81,806	87.51

\*Provisional



CURRENCY AND BANK CLEARINGS

Currency

The Central Bank is vested with the sole right of issuing, reissuing and redeeming Belize currency notes and coins and of determining, with the approval of the Minister of Finance, the designs and other specifications of legal tender notes and coins.

The currency unit of Belize is the Belize dollar which since May 1976 has been pegged to the United States Dollar at the rate of BZ\$1.00 = US\$0.50.

During the year total currency in circulation grew above the levels witnessed in 1986, somewhat reflective of the increased economic activity during the year under review.

Currency expansion since the beginning of the year was approximately 4.0 percent. The expansion was to a large extent in the notes issue since coins being circulated remained relatively stable during the year (Table 24).

The monthly holdings of cash by the commercial banks grew from \$3.4 million in January to \$4.4 million in December. This compares with monthly holdings of \$5.1 million in December of 1986. In contrast currency with the public grew from \$26.4 million in January, 1987 to a peak level of \$29.7 million in May. At December, 1987, the level of currency with the public was \$29.6 million as against \$25.9 million in 1986.

NOVEMBER	4,535	9,764	
DECEMBER	10,760	9,836	924
TOTAL	15,295	19,600	-774



TABLE 24/ CURRENCY IN CIRCULATION 1987 (\$'000)					
	CURRENCY IN CIRCULATION			CASH IN BANKS	CURRENCY WITH PUBLIC
	NOTES	COINS	TOTAL		
JANUARY	26,055	3,739	29,794	3,382	26,411
FEBRUARY	26,589	3,747	30,336	3,240	27,096
MARCH	27,121	3,776	30,897	4,108	26,788
APRIL	29,895	3,801	33,696	4,202	29,494
MAY	28,959	3,825	32,784	3,104	29,680
JUNE	28,000	3,844	31,844	4,944	26,900
JULY	27,543	3,864	31,407	3,492	27,915
AUGUST	27,125	3,888	31,013	4,317	26,697
SEPTEMBER	26,290	3,911	30,201	4,305	25,896
OCTOBER	27,042	3,916	30,958	3,229	27,729
NOVEMBER	28,086	3,924	32,010	4,245	27,765
DECEMBER	29,955	3,969	33,924	4,362	29,562

#### Reserves and Liquidity Requirements

The commercial banks are required to maintain a specified proportion of their average deposit liabilities as cash balances with the Central Bank. In November, 1984 the specified proportion was raised to 7 percent, and in March 1985 to 9 percent. The cash reserve ratio has remained unchanged since then. The average monthly balances held by the four commercial banks totalled \$19.4 million, as against a required holding of \$17.0 million. (Table 25).

The commercial banks are also required to maintain minimum holdings of approved liquid assets amounting, on average, to at least 30 percent of average deposits liabilities. This ratio has remained unchanged since March 1985 when the required liquid asset ratio was raised by 5 percentage points to 30 percentage points following an earlier increase in the ratio by five percentage points. Liquid assets as defined in



the Banking Ordinance are generally assets maturing in not more than 90 days.

Throughout 1987, commercial banks holdings of approved liquid assets remained well in excess of required holdings. During 1987, the required average monthly liquid assets holdings were \$56.6 million, while actual holdings averaged \$86.1 million. The average monthly excess holdings were \$29.4 million in 1987 as against \$22.5 million in 1986.

TABLE 25/ COMMERCIAL BANK DEPOSITS WITH CENTRAL BANK  
MONTHLY AVERAGE OF DAILY BALANCES, 1987

MONTH	AVERAGE DEPOSIT LIABILITIES	MINIMUM BALANCE	ACTUAL HOLDINGS	EXCESS (DEFICIENCY)
JANUARY	174,287	15,686	17,187	1,501
FEBRUARY	175,697	15,813	17,038	1,225
MARCH	178,210	16,039	18,057	2,018
APRIL	180,706	16,264	17,555	1,291
MAY	183,706	16,534	21,245	4,711
JUNE	186,680	16,801	22,825	6,024
JULY	190,547	17,149	22,180	5,031
AUGUST	196,549	17,689	19,369	1,680
SEPTEMBER	196,577	17,692	19,209	1,517
OCTOBER	199,542	17,959	19,365	1,406
NOVEMBER	202,153	18,194	18,689	495
DECEMBER	201,440	18,130	19,498	1,368



TABLE 26 / COMMERCIAL BANK HOLDINGS OF APPROVED LIQUID ASSETS 1987  
(MONTHLY AVERAGE) (\$'000)

MONTH	AVERAGE DEPOSIT LIABILITIES	REQUIRED HOLDINGS	ACTUAL HOLDINGS	EXCESS
JANUARY	174287	52286	77871	25585
FEBRUARY	175697	52709	80502	27793
MARCH	178210	53463	82285	28822
APRIL	180707	54212	84632	30420
MAY	183706	55112	88619	33507
JUNE	186679	56004	90944	34940
JULY	190370	57111	92314	35203
AUGUST	196550	58965	90045	31080
SEPTEMBER	196577	58973	89467	30494
OCTOBER	199541	59862	88759	28897
NOVEMBER	202152	60646	85046	24400
DECEMBER	201440	60432	82539	22107

### Clearing House Operations

The clearing house agreement of October, 1978 involving the Central Bank and the four commercial banks continued in operation during 1987, with clearing house operations being conducted daily at the Central Bank. Data on the amount of cheques cleared are shown in Table 27. The average monthly clearing value in 1987 was \$48.1 million with a peak of \$62.3 million in December, 1987. This compares with a monthly average of \$55.4 million in 1986.



Table 27 / Cheque Clearings 1987* (\$'000)	
MONTH	AMOUNT CLEARED
JANUARY	45,423
FEBRUARY	42,134
MARCH	50,099
APRIL	45,745
MAY	43,365
JUNE	47,690
JULY	52,477
AUGUST	43,907
SEPTEMBER	47,393
OCTOBER	46,997
NOVEMBER	50,124
DECEMBER	62,297

\* Excludes Special Clearings

#### Transactions with the Central Government

The Central Bank of Belize Act (Section 34) allows for temporary advances to the Central Government, not exceeding 15 percent of the Government's estimated current revenues for the financial year. Throughout 1987, the Government resorted to temporary borrowing from the Central Bank. At the beginning of the year, Central Bank advances amounted to \$15.7 million. Advances were raised to \$16.0 million in February of 1987. At the end of the year, after funds received from the Central Bank's profits were credited to its account, the level of advances to Government from the Central Bank dropped to \$13.5 million.

The ratio of advances to estimated revenue was 14.6 percent in January, 1987. In February it was very close to the 15.0 percent limit. At the end of the year this ratio was 11.8 percent, 2.8 percent lower than at the beginning.



Apart from direct advances, Section 35(2) of the Central Bank of Belize Act, 1982 stipulates that the Bank can hold Government securities to a maximum of five times the Bank's paid up capital and reserves. During 1987, the Central Bank's holdings of Treasury bills and debentures were comfortably within the legal limit. Table 28 shows the levels of advances to Central Government by the Bank, together with the Bank's holdings of Government securities during the year.

The Central Bank's holdings of Government debentures was constant at \$4.8 million during the first five months of 1987, falling to \$1.1 million in June, 1987, and further to \$0.6 million in August. At year end, Central Bank's holdings of Government debentures was \$4.3 million. Treasury bill holdings, on the other hand, were \$10.4 million in January, 1987 falling to as low as \$0.04 million in May. At year end, total holdings of Treasury bills were \$10.1 million.

The Central Bank acts as an agent for the Government in making arrangements for the issue of Treasury bills. Bills are generally issued at monthly intervals for maturities of 90 days. The average yield on Treasury bill issues was constant at 9.0 percent during the year while the average discount rate on Treasury bills was constant at 8.8 percent. (Table 29).



TABLE 28/ CENTRAL BANK DIRECT AND INDIRECT CREDIT TO GOVERNMENT, 1987 (\$'000)

MONTH	ADVANCES	% (a)	TREASURY BILLS	OTHER SECURITIES	(b)
January	15,674	14.61	10,396	4,797	1.0
February	16,023	14.94	9,083	4,797	0.9
March	13,099	12.21	3,508	4,797	0.6
April	12,856	11.26	241	4,797	0.3
May	13,472	11.80	36	4,797	0.3
June	14,367	12.58	50	1,130	0.1
July	14,315	12.53	490	1,130	0.1
August	15,695	13.74	4,469	630	0.3
September	14,782	12.94	857	3,972	0.3
October	13,491	11.81	4,485	3,972	0.6
November	13,120	11.49	10,827	4,472	1.0
December*	13,453	11.78	10,066	4,300	1.0

(a) Outstanding advances as a percentage of Central Government's estimated current revenue. The period through March is based on estimated revenue for fiscal 1986/87, with subsequent months being based on the estimate for fiscal 1987/88. The estimates used are the Estimates of Revenue and Expenditure as approved by the Legislature.

(b) Total holdings of Treasury Bills and other Securities issued by the Government of Belize as a multiple of the Central Bank's paid-up capital and reserves.

\* Provisional



TABLE 29 GOVERNMENT OF BELIZE TREASURY BILLS ISSUES 1987

ISSUE NUMBER	TENDER	ALLOTMENT	ADDITIONAL ALLOTMENT	TOTAL ALLOTMENT	AVERAGE DISCOUNT	AVERAGE YIELD
	\$M	\$M	\$M	\$M	%	%
1	11.3	11.3	2.1	13.4	8.80	9.00
2	12.4	12.4	0.8	13.2	8.80	9.00
3	4.6	4.6	--	4.6	8.80	9.00
4	13.8	13.8	--	13.8	8.80	9.00
5	17.2	17.2	--	17.2	8.80	9.00
6	13.4	13.4	--	13.4	8.80	9.00
7	13.2	13.2	--	13.2	8.80	9.00
8	13.8	13.8	--	13.8	8.80	9.00
9	4.6	4.6	--	4.6	8.80	9.00
10	17.2	17.2	--	17.2	8.80	9.00
11	13.4	13.4	--	13.4	8.80	9.00
12	13.2	13.2	--	13.2	8.80	9.00
13	4.6	4.6	--	4.6	8.80	9.00
14	17.2	17.2	--	17.2	8.80	9.00
15	13.8	13.8	--	13.8	8.80	9.00
16	13.4	13.4	--	13.4	8.80	9.00
17	13.2	13.2	--	13.2	8.80	9.00
18	4.6	4.6	--	4.6	8.80	9.00
19	17.2	17.2	--	17.2	8.80	9.00
20	13.8	13.8	--	13.8	8.80	9.00



## EXCHANGE CONTROL

### Sales

Sales of foreign exchange by authorised dealers to the public registered \$277.1 million during 1987. (Table 30). This is an increase of \$48.6 million from the previous year's figure. Current transactions totalled \$239.0 million, Imports including Prepayment for imports, accounted for \$198.8 million or 72 percent of total sales over the year. Travel facilities amounted to \$15.6 million, an increase of \$1.6 million from 1986 figure. Profits remitted abroad by companies operating in Belize to their respective Head Offices decreased by 20 percent from the previous year to \$2.9 million during 1987. Dividends paid to foreign shareholders of companies operating in Belize increased by \$1.0 million above the 1986 figure to \$1.8 million in 1987. Payment for Professional Services performed by non-residents abroad increased from \$1.7 million to \$2.2 million during 1987. Interest Payments by both the Private and Public sectors totalled \$1.5 million during 1987. Repatriation of funds and other Capital Account transactions increased by 75 percent from the 1986 figure of \$21.7 million to \$38.0 million. Repatriation of funds and other Capital Account were responsible for \$30.5 million of Capital Account transaction.



TABLE 30

CENTRAL BANK OF BELIZE  
OUTFLOW OF FOREIGN EXCHANGE BY AUTHORISED DEALERS

CLASSIFICATION	1985		1986		1987		DIFFERENCE 1986/87	
	RESIDENT	NON-RESIDENT	RESIDENT	NON-RESIDENT	RESIDENT	NON-RESIDENT	RESIDENT	NON-RESIDENT
<u>CURRENT TRANSACTION</u>								
TRAVEL - Vacation	2,463	257	3,819	901	4,027	1,151	208	250
Business	1,274	128	1,723	131	2,149	226	426	95
Medical	173	19	325	18	402	19	77	1
Other	1,268	955	750	1,438	546	1,376	-204	-62
FAMILY MAINTENANCE	1,348	269	1,625	227	1,023	271	-602	44
EDUCATION	1,173		1,041		2,023		982	
INSURANCE	1,130		1,278		1,192		-86	
RE-INSURANCE	2,969		2,839		3,107		268	
TRAVEL FARES	4,736		4,943		5,690		747	
FREIGHT CHARGES	3,921		3,606		4,284		678	
MEDICAL EXPENSES	739		1,265		1,019		-246	
HEAD OFFICE EXPENSES	1,105		621		504		-117	
ROYALTY PAYMENTS	352		118		100		-18	
COMMUNICATIONS			20		78		58	
PROFESSIONAL SERVICES	1,895		1,701		2,187		486	
MANAGEMENT SERVICES	39		26		236		210	
SUBSCRIPTIONS	359		296		453		157	
PORT DISBURSEMENTS	270		109		82		-27	
COMMISSIONS	288		224		428		204	
SUNDRIES	180		81		63		-18	
RENTAL OF EQUIPMENT					400		400	
EMBASSY TRANSFER		94		99		108		9
PROFITS	2,718		3,606		2,895		-711	
DIVIDENDS	734		774		1,799		1,025	
INTEREST PAYMENTS								
PRIVATE	2,147		1,549		1,276		-273	
PUBLIC	586		836		268		-568	
OTHER CURRENT ACCOUNT								
PRIVATE	253		92		811		719	
PUBLIC			319		14		-305	
IMPORTS								
PREPAYMENTS	15,708		18,783		27,946		9,163	
OIL PAYMENT	34,738		23,017		25,509		2,492	
OTHER	132,340		128,664		145,372		16,708	
TOTAL	214,906	1,722	204,050	2,814	235,883	3,151	31,833	337
TOTAL CURRENT ACCOUNT	216,628		206,864		239,034		32,170	
<u>CAPITAL TRANSACTION</u>								
EMIGRATION	2,206		3,968		3,354		-614	
REPATRIATION OF FUNDS		12,066		10,076		12,275		2,199
LOAN PAYMENTS								
PRIVATE (Long term)	3,088		3,568		2,077		-1491	
PUBLIC (Long term)	4,921		2,576		1,827		-749	
PRIVATE (Short term)			82		85		3	
PUBLIC (Short term)								
GIFTS	159		121		150		29	
INVESTMENTS	11							
OTHER CAPITAL ACCOUNT	329		1,293		18,266		16,973	
TOTAL	10,714	12,066	11,608	10,076	25,759	12,275	14,151	2,199
TOTAL CAPITAL ACCOUNT	22,780		21,684		38,034		16,350	
TOTAL	225,620	13,788	215,658	12,890	261,642	15,426	45,984	2,536
GRAND TOTAL	239,408		228,548		277,068		48,520	

N.B. These figures represent aggregates of round-off of monthly totals.



Category	1987	1986	% Change
Stamp Duty	\$2.8 million	\$2.3 million	19%
Purchases	\$294.7 million	\$243.5 million	21%
Other Capital Accounts	\$30.5 million	\$30.5 million	0%
Net Inflow	\$17.6 million	\$17.6 million	0%

Stamp Duty

Stamp Duty on sales of foreign exchange brought in \$2.8 million in revenue to the Government during 1987; this represents an increase of \$0.5 million or 19 percent from the 1986 figure.

Purchases

Purchases of foreign exchange from the public totalled \$294.7 million in 1987; this represents an increase of \$51.2 million over the previous year. (Table 31). The overall position of foreign exchange transactions of authorized dealers for 1987 was a net inflow of \$17.6 million. Incorporated Bodies continues to be responsible for over half of the total inflows registering \$156.7 million or 53 percent. This is an increase of \$31.3 million over the 1986 level. Garrison Paymaster brought in \$30.0 million during 1987, an increase of \$6.7 million from the previous year. Co-operative Societies recorded a decrease of \$2.5 million to \$7.2 million during 1987, as compared to 1986. Shipping Agencies brought in \$0.9 million, a decrease of \$3.7 million as compared with 1986.



TABLE 31

## INFLOWS OF FOREIGN EXCHANGE 1987

BZ '000

CLASSIFICATION	1985	1986	1987	DIF. 86/87
CENTRAL GOVERNMENT	1,892	2,024	1,872	(152)
LOCAL GOVERNMENT	117	213	-	(213)
STATUTORY BODIES	58	62	71	9
RELIGIOUS ORGANISATIONS	1,931	2,942	2,892	(50)
FINANCIAL INSTITUTIONS	510	2,467	4,963	2,496
INCORPORATED BODIES:	116,051	125,344	156,655	31,311
SHIPPING AGENCIES	1,405	1,250	876	(374)
INSURANCE COMPANIES	212	136	139	3
TRAVEL AGENCIES	988	1,247	2,114	867
EMBASSIES	-	4,269	9,618	5,349
HOTELS	3,431	3,476	4,014	538
INDIVIDUALS	60,293	56,681	60,737	4,056
GARRISON PAYMASTER	24,700	23,255	29,975	6,720
OTHERS	10,183	10,422	9,469	(953)
CO-OPERATIVE SOCIETIES	12,540	9,716	7,176	(2,540)
POST OFFICE	-	-	4,113	4,113
T O T A L	234,311	243,504	294,684	51,180



## BANKING SUPERVISION DEPARTMENT

The primary function of the Banking Supervision Department is to maintain a general surveillance over financial institutions and over the performance of banking business in or from within Belize. The Department was established in 1983 with assistance from the International Monetary Fund. Until recently, staffing constraints confined this surveillance to computer-based analysis and review of financial information reported by commercial banks periodically. This acts as an early-warning mechanism geared at detecting problems which may arise in the banking system. With the recruitment of an additional staff member and the appointment of an advisor from the International Monetary Fund, it was possible to plan a programme of regular on-site inspections of banks, one of which was concluded during the latter part of 1987.

The Banking Supervision Department is also responsible for the following functions.

- a) Applications by Commercial Banks under Section 13(1) (a) of the Banking Act.
- b) Commercial Bank Discount Fund.
- c) Central Bank of Belize CBI Loan Guarantee Scheme.
- d) Internal Audit.



Applications by Commercial Banks under Section 13(1)(a) of  
the Banking Act

Under the Banking Act, commercial banks are required to apply, through the Central Bank of Belize, for the permission of the Minister of Finance before granting credit facilities in excess of 25 percent of their capital and reserves (or assigned capital and reserves in the case of foreign financial institutions) to any borrower or group of related borrowers. During 1987, thirty-eight such applications were processed by the Banking Supervision Department. These amounted to \$85.5 million in credit facilities or approximately 52 percent of total loans and advances of the banking system. This was up from \$83.8 million in 1986 when only 36 applications were approved.

Commercial Bank Discount Fund

This fund was established in March 1983 under an Agreement between the Governments of Belize and the United States of America. US\$5.0 million was made available by USAID to finance this facility. It operates through the Central Bank of Belize against which commercial banks in Belize are able to refinance up to 100 percent of loans made to borrowers for qualifying projects. The Project Assistance Completion Date (PACD) was originally 31 December 1985 but was extended to 31 December 1986 and later to 30 June 1987. On 31 December 1987, 10 projects had benefited from



this facility and the Central Bank of Belize had refinanced loans in excess of \$5.7 million. Projects benefitting from this facility were in agriculture, tourism, livestock, and aquaculture. The unused portion of the BZ\$10.0 million facility was de-obligated on 30 June 1987 on the expiration of the PACD.

#### Central bank of Belize CBI Loan Guarantee Scheme

In 1985, the Central Bank of Belize established the CBI Loan Guarantee Scheme which would allow banks to obtain guarantees of up to 75 percent of loans granted by them under the CBI Commercial Bank Discount Fund arrangements. The scheme was later expanded to include non-CBI loans. Up to the end of 1987, six loan guarantees were granted totalling \$1,415,000 of which \$787,500 were extended during 1987. Two of these guarantees were not related to loans granted under the CBI scheme.

#### Internal Audit

The Banking Supervision Department conducts regular audit checks on the accounting operations of the Central Bank. This review has been limited in scope but plans are under way to up-grade and expand this function.



## ADMINISTRATION

### The Board of Directors

During the period 1st January, 1987 to 31st August, 1987 the Board of Directors of the Central Bank consisted of the following persons:

Alan Slusher - Governor and Chairman of the Board  
Frank J. Garbutt - Deputy Governor and Vice Chairman  
Mario Arguelles - Director  
Arsenio Burgos - Director  
Nestor Vasquez - Director

With effect from 1st September, 1987 the Board gained another Director in the person of Ms. Kathlyn Tillett.

Sir Edney Cain, O.B.E., Financial Secretary was the representative of the Ministry of Finance on the Board from 1st January, 1987 to 31st July, 1987. Thereafter to the end of 1987 Mr. Keith Arnold, Financial Secretary, became the Ministry's representative.

The Board of Directors held 11 regular meetings during the year.

### Staffing

The Principal officers of the Bank at the end of 1987 were:

Alan Slusher	-	Governor
Frank J. Garbutt	-	Deputy Governor
Cecile Reyes	-	Bank Secretary
Dwain A. Davis	-	Manager, Accounts and Budget



ADMINISTRATION

- Barbara Locke - Manager, Banking and Currency
- Sydney Campbell - Ag. Head, Exchange Control Department
- Manuel G. Vasquez - Ag. Head, Bank Inspection Department
- Dr. J. C. Rao - Advisor/Research Director
- Adrian Bryan - Advisor, Bank Supervision

During 1987 the assignment of Dr. N. A. Mujumdar who had been I.M.F. Research Advisor since August 1986 came to an end and he was succeeded by Dr. J. C. Rao. Also joining the staff of the Bank, as I.M.F. Advisor on Banking Supervision, was Mr. Adrian Bryan. In addition the Bank obtained from the Commonwealth Secretariat the services of Mr. Jose Maurel as Advisor on the establishment of a computerized Debt Recording and Management System.

The total number of persons employed by the Bank at the end of 1987 was seventy-four, of whom six were away from the country on study leave. In comparison, at the end of 1986 the Bank had sixty-one employees.

were:

- Governor - Alan Slusher
- Deputy Governor - Frank J. Garbutt
- Bank Secretary - Cecile Reyes
- Manager, Accounts and Budget - Dwain A. Davis



Central Bank of Belize  
Annual Report.  
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